INSTRUMENT PREPARED BY VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE OF VIRGINIA SECTION 45.1-361.26

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER:

Madeline Counts

RELIEF SOUGHT:

Issuance of Amended Supplemental Order Amending Prior Order Affecting) Drilling Unit VC-2975 Located in the) Nora Coalbed Gas Field, Dickenson County, VA(herein "Subject Drilling) Unit") to Provide (1) Calculation of) Funds Unit Operator Deposited into) the Escrow Acccount for Subject Drilling Unit by Tract Subaccounts;) (2) to Petitioner, a Royalty Accounting; and (3) Disbursement to) Madeline Counts in accordance with) her ownership interests those funds) deposited by the Unit Operator into) Subject Drilling Unit's Escrow Subaccount for VGOB Tract 4

DOCKET No.
) 97-0715-0593-01

TAX MAP IDENTIFICATION
NUMBERS: TAX MAP
IDENTIFICATION NUMBERS FOR
ALL PARCELS AFFECTED BY THIS
ORDER ARE SHOWN ON
EXHIBIT(S) "E" WHICH IS/ARE
ATTACHED TO AND A PART OF
THIS ORDER.

REPORT OF THE BOARD

FINDINGS AND ORDER

- 1. <u>Hearing Date and Place</u>: This matter came on for final hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on March 21, 2006 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
- 2. <u>Appearances</u>: Bob Wilson appeared for Madeline Counts, Petitioner; and Sharon M. B. Pigeon, Assistant Attorney General, was present to advise the Board.
- Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et seq., the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract subaccounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board Pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-371.21.D, 45.1-361.22.A.2, 45.1-361.22A.3 and 45.1-361.22.A.4 into the escrow tract subaccounts. Board finds that (1) while it does not have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it does not have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements (3) pursuant to Va. § 45.1-361.22.A.5, the Board does have jurisdiction and authority to disburse funds from the Escrow Account provided the

Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between conflicting claimants or an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein.

4. Prior Proceedings:

- On, September 17, 1997, the Board executed its order pooling all interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code §§45.1-361.12 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Dickenson County on September 23, 1997 in Deed Book 329 at page 698. The Board designated Equitable Resources Energy Company as the Unit Operator of the Subject Drilling Unit. Pooling Order was supplemented by the Board's Supplemental Order Regarding Elections executed on January 23, 1998 that was filed with the Dickenson County Clerk's Office on January 27, 1998 in Deed Book 332 at page 632 (Supplemental Order) (hereafter the Pooling Order and the Supplemental Order are collectively referred to as the Pooling Order).
- 4.2 To the extent claims to the gas were in conflict, pursuant to Va. Code § 45.1-361.22, payments attributable to said conflicting claims/interests were ordered deposited by the Unit Operator into the escrow account established by the Pooling Order (herein "Escrow Account"). According to the Pooling Order, the coalbed methane ownership of Pine Mountain Oil and Gas, Inc. and the oil and gas fee ownership of Madeline Counts or their predecessors in title in a 13.2300 acre tract known as VGOB Tract 4 in Subject Drilling Unit VC-2975 were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3 The Petitioner's Miscellaneous Petition for the release of escrowed funds, a copy of which is attached to and made a part hereof, was received by the Board on January 9, 2006. The petition referred to and included a copy of a letter from Pine Mountain Oil and Gas, Inc. in which Pine Mountain waived its claim to the royalty proceeds in Tract 4 of the Subject Drilling Unit.
- 4.4 The Miscellaneous Petition requested that the Board: (1) enter an Order releasing all escrowed funds attributable to Tract 4 of the Subject Drilling Unit to Madeline Counts; and (2) delete the requirement that the Unit Operator place future royalties attributable to Tract 4 and the interests of Madeline Counts into the Escrow Account.
- 4.5 The Unit Operator filed with the Board an accounting, a copy of which is attached to and made a part hereof, of funds deposited in Subject Drilling Unit's Escrow Account.

5. Findings:

5.1. Va. Code 45.1-361.22.5 provides:

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

- 5.2 The Petitioners have certified and represented to the Board that:
 - (1) Madeline Counts is owner of 100% of the oil and gas estate underlying VGOB Tract 4 of the subject Drilling Unit.
 - (2) Pine Mountain Oil and Gas, Inc. has transferred to and relinquished to the Petitioner any and all rights, title and interest that it may have to all current and future royalties and accrued interest held in the Escrow Account pursuant to the Pooling Order.
 - (3) The net interests attributable and to be disbursed to Madeline Counts in Tract 4 are shown in Table 1 below.

		TABLE 1	
Tract #4 Owner Name		Net Acres In Unit	% Interest in VGOB 97-0715-0593-01 balance
Madeline Counts 807 Faison Avenue Fayetteville, 28304	NC	13.23	64.2042%

6. Relief Requested: For the reason set forth in Paragraphs 4 and 5 above, and based upon the Accounting, the Escrow Agent is ordered to, within 10 days of receipt of this executed order, disburse escrowed funds attributable to VGOB Tract 4 to Madeline Counts according to the percentages shown in Table 1, above, and mail attributable proceeds to the address shown in the table. Exhibits to the Pooling Order, showing owners subject to escrow, are deleted in toto and replaced with the Exhibit E attached hereto. Further, the Supplemental Order filed in the cause is

hereby modified to delete the requirement that payments attributable to the oil and gas fee ownership of Madeline Counts in Tract 4 be deposited by the Unit Operator into the Escrow Account for Subject Drilling Unit, and because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

- 7. <u>Conclusion</u>: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.
- 8. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court.
- 9. **Effective Date**: This Order shall be effective on the date of its execution.

B feelingh	DONE AND EXECUTED this majority of the Virginia Gas	and Oil Board,	2006,	by	ē
Chairman, Benzy R. Wampler		B feel	f		

DONE AND PERFORMED this 26° day of fune, 2006, by Order of this Board.

B. R. Wilson

Principal Executive To The Staff Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 2 day of , 2006, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Mane Jalis
Notary Public

My commission expires: September 30, 2009

STATE OF VIRGINIA COUNTY OF WASHINGTON

Acknowledged on this day of da

Notary Public

My commission expires: September 30, 2009

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS:

Madeline Counts

DOCKET NUMBER: VGOB <u>97-0715-0593-01</u>

RELIEF SOUGHT:

Supplemental Order for Disbursement of Escrowed

Funds on behalf of Madeline Counts

LEGAL DESCRIPTIONS:

Drilling Unit Number VC-2975 created by Board

Order Dated September 17, 1997, VGOB-97-0715-0593 in

the Ervinton District, Dickenson County, Virginia.

HEARING DATE:

February 21, 2006

MISCELLANEOUS PETITION

1. Party: Applicant herein is Madeline Counts, (hereinafter "Plaintiff), whose address is 807 Faison Avenue, Fayetteville, NC 28304.

2. Facts:

- a. Equitable was designated as the Operator and Applicants interests were Pooled in the VC-2975 Unit by Order of the Virginia Gas and Oil Board (hereinafter "Board") executed on September 17, 1997, pursuant to Docket No. VGOB 97-0715-0593 and recorded in the Circuit Court Clerk's Office of Dickenson County, Virginia on September 23, 1997, Deed Book 329, Page 698 (hereinafter "Order").
- b. The order and Supplemental Order required the Escrow Agent named and appointed therein to establish an interest-bearing escrow account for funds pertaining to the above-referenced Unit and subject to escrow pursuant to the terms of the Order.
- c. The Order and Supplemental Order further required the Operator to deposit bonus and royalty payments with the Escrow agent which could not me made because the person(s) entitled hereto could not be made certain due to conflicting claims of ownership.
- d. Applicant Madeline Counts was joint tenant with and surviving heir of Jack T. Counts, husband, deceased March 2, 2000.
- e. Pine Mountain Oil & Gas was a conflicting claimant with the above-listed Plaintiffs with regard to Tract 4 as created by Board Order as VGOB 97-0715-0593.
- f. To resolve this conflict, a Letter dated December 12, 2005, signed by Jerry Grantham, an officer at that time of Pine Mountain Oil and Gas, Inc. is attached hereto and incorporated herein as Exhibit "A".
- g. The amounts deposited with the Escrow Agent regarding the Unit need to be determined and distributed accordingly.

Page 2

- h. Any escrow amount, not yet deposited into the escrow account, held by Operator should also be determined, and distributed to Applicants/Plaintiffs herein, accordingly.
- i. Applicants/Plaintiffs herein do hereby request that the Board enter amended supplemental order for the Unit directing the Escrow Agent and the Operator to disburse to the aforesaid Plaintiff the funds attributable to the previous conflicting claim with Pine Mountain, held in escrow for the VGOB number as listed above.
 - 1. The Applicant certifies that the matters set forth in the application, to the best of their knowledge, information, and belief, are true and correct and that the form and content of the Application and conform to the requirements of relevant Board regulations and orders.
 - 2. Legal Authority: Va. Code Ann. §45.1-361.1 et seq., 4 VAC 25-160, and such other regulations and Board orders promulgated pursuant to law.
 - 3. Relief Sought: Applicant request that the Board issue amended supplement order amending all prior orders affecting the Unit which amended supplement order will provide as follows:
 - a. Determining the amount of funds attributable to the Applicant/Plaintiff herein.
 - b. Directing the Escrow Agent to determine the amount of funds attributable to Applicant/Plaintiff herein, provide an accounting hereof, and disburse the funds on deposit with the Escrow Agent, including any applicable interest, pertaining to the interest in the Unit shown above for distribution.
 - c. Directing the Operator to determine the amount of funds attributable to the Applicant/Plaintiff herein, provide an accounting thereof, and disburse the units in its hands, if any, subject to escrow but not then on deposit with the Escrow Agent, including any applicable interest, at the time of the Supplemental Order requested therein is executed, attributable to the Applicant/Plaintiff herein for distribution.
 - d. Directing the Operator to disburse the funds, including any applicable interest, and provide an accounting thereof, which it may receive after the date of the execution of the amended supplemental order requested in the Application, if any, attributable to the Applicant/Plaintiff herein, and to discontinue the payment of such funds into Escrow.

Page 3

e. Granting such other relief as is merited by the evidence and is just and equitable whether or not such relief has been specifically requested herein.

Dated this 3 / day of December 2005.

By: Madeleine M. Counts

Petitioner
Address: 807 Faison Ave

Faretteville, N.C.

28304

CERTIFICATE

The foregoing application to the best of my knowledge, information and belief is true and correct. Notice was given pursuant to Va. Code Ann. §45.1-361.19.

Madeline M. Counts

PINE MOUNTAIN Oil and Gas, Inc.

P.O. Box 2136 129 Preston Street Abingdon, Virginia 24212 Phone: (276) 628-9001 Fax: (276) 628-7246 JAN 0 5 2006



December 12, 2005

Ms. Melanie Freeman Equitable Production Company 1710 Pennsylvania Avenue Charleston, WV 25302

Re:

Escrowed-Royalties - Well Nos. VC-535670 and VC-2975

Jack Counts 32 Acre Tract

Dear Ms. Freeman:

It is our understanding that you are holding the royalty proceeds on the Jack Counts 32 acre portion of Well Number VC-535670 and that the state is holding the royalty proceeds on the Jack Counts 32 acre portion of Well Number VC-2975 well units in escrow due to the conflict in ownership issues regarding coalbed methane. We have received several letters, the latest one being enclosed, from Mrs. Madeline M. Counts, widow of Jack Counts, requesting a royalty determination regarding the same. Mrs. Counts indicates that she is the oil and gas owner on the above-mentioned tract; however, we do not have any information as to the current ownership of the oil and gas on this tract. We have reviewed, with our attorney, the original severance deed which encompasses the 32 acre tract within the above-mentioned well units. Given the close similarity of the language in the severance deed at issue and the severance deeds analyzed by the Virginia Supreme Court and decided March 5, 2004, it appears that, at this point in time, Pine Mountain would not be successful in a claim for the coalbed methane on this tract. Therefore, Pine Mountain waives its claim to escrowed royalties related to the Jack Counts 32 acre portions of these well units and would ask that the appropriate oil and gas owner receive their proportionate disbursement of the royalty proceeds from this portion of these well units.

By copy of this letter, we are notifying Mrs. Madeline Counts of our action on this matter. If you have any questions or comments, please do not hesitate to contact me by phone at (276) 628-9001 or by e-mail at dlouthian@gl-energy.com.

Sincerely,

PINE MOUNTAIN OIL & GAS, INC.

Jerry H. Grantham Vice President

/dtl

Enclosures

cc:

Mrs. Madeline Counts

RECONCILIATION

EPC P	AYMENT LI	STING		1	W	ACHOVIA	A BANK LISTING	
Check No.	Pmt Date	Pmt Amount			Do	ollars	Effective Date	
324506	11/21/1997	\$ 41.70						
326629	12/22/1997	\$ 75.21			T			
330644	01/28/1998	\$ 73.98			7			
332420	02/25/1998	\$ 70.83			1			
	03/24/1998				-			
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	12/22/1999				CTREASON CONTROL	2,256.03	19991231	
	01/27/2000				\$	112.00	20000126	
	02/25/2000				\$	124.37	20000224	
	03/27/2000				\$	108.36	20000327	
	04/21/2000		·		\$	143.48	20000421	
	05/24/2000				\$	153.83	20000523	
	06/28/2000				\$	174.54	20000628	
	07/31/2000				\$	249.27	20000728	
	08/28/2000			e e e e e e e e e e e e e e e e e e e	\$	237.71	20000825	
	09/28/2000				\$	225.55	20000925	
	10/30/2000				\$	259.58	20001031	
	11/30/2000				\$	324.47	20001231	
	12/22/2000				\$	276.88	20001229	
	02/01/2001				\$	324.63	20010131	
	03/01/2001				\$	528.48	20010228	
	03/28/2001				\$	350.85	20010430	
	04/25/2001				\$	285.12	20010628	
		\$ 311.75			\$	311.75	20010531	
		\$ 351.23			\$	351.23	20010731	
		\$ 258.61			\$	258.61	20010831	
		\$ 187.18			\$	187.18	20010930	
		\$ 395.40			\$	395.40	20011130	
461805	11/30/2001	\$ 147.15			\$	147.15	20020131	
	12/21/2001		REISSUED	Chk159945	\$	237.38	20060307	
en de la comite de la companya de la	01/30/2002	THE ROLL AMERICAN STREET, AND RESIDENCE AND ADDRESS.			\$	184.76	20020228	
	03/01/2002				\$	185.22	20020430	
	04/02/2002		·		\$	145.29	20020624	
		\$ 183.89			\$	183.89	20020522	
	05/24/2002				\$	253.68	20020624	
	06/28/2002		·		\$	262.13	20020731	
4343 1010		\$ 245.70			\$	245.70	20020830	
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RECONCILIATION

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542027 12/30/200			 	\$	323,99	20021231
547957 02/01/200				\$	375.06	20030131
554944 03/05/200				\$	312.24	20030331
565005 04/02/200				\$	385.81	20030430
572242 05/01/200				\$	651.24	20030430
578775 06/02/200				\$	475.05	20030530
586138 07/01/200				\$	417.19	20030630
592442 08/01/200			<u> </u>	\$	427.36	20030731
599518 09/02/200				\$	473.26	20030829
606240 10/01/200				\$	395.19	20030930
612974 11/03/200				\$	412.81	20031031
619504 12/02/2003			Ĺ	\$	397.12	20031130
633167 01/07/2004				\$	401.31	20040131
639475 02/02/2004				\$	442.54	20040227
646050 03/03/2004				\$	545.82	20040331
653005 04/05/2004	4 \$ 483.54			\$	483.54	20040430
659878 05/05/2004				\$	457.08	20040528
666533 06/02/2004	4 \$ 461.91			\$	461.91	20040630
673592 07/05/2004	4 \$ 546.35			\$	546.35	20040730
680437 08/04/2004	4 \$ 519.00			\$	519.00	20040831
687632 09/01/2004	4 \$ 554.94			\$	554.94	20040930
695056 10/04/2004	\$ 524.47			\$	524.47	20041029
702322 11/02/2004				\$	389.17	20041130
709431 12/02/2004	\$ 531.34			\$	531.34	20041231
723109 01/06/2005				\$	686.26	20050131
730054 02/07/2005				\$	698.10	20050228
737913 03/03/2005				\$	569.23	20050331
745128 04/05/2005	5 \$ 570.17			\$	570.17	20050429
752212 05/06/2005	5 \$ 617.83			\$	617.83	20050429
759281 06/07/2005	\$ 704.00			\$	704.00	20050531
766834 07/06/2005				\$	675.04	20050630
773909 08/05/2005	5 \$ 590.31		,	\$	590.31	20050729
781563 09/08/2005	\$ 720.14			\$	720.14	20050930
788372 10/06/2005	\$ 757.75			\$	757.75	20051031
795687 11/08/2005	\$ 1,043.82			\$	1,043.82	20051130
803368 12/07/2005	\$ 1,372.10			\$	1,372.10	20051230
817725 01/06/2006	\$ 1,348.42			\$	1,348.42	20060131
	\$31,835.93			\$ 3	1,806.91	
		\$	29.02			

0.04382500 is being escrowed to the bank 0.02813750 of that amount belongs to Madelein Counts Her share of the escrowed funds is calculated as follows:

 $0.02813750/0.04382500 = 0.64204221 \times $31835.93 = 20440.01

EPC FIGURES

\$29.02 difference

 $0.02813750/0.04382500 = 0.64204221 \times $31806.91 = 20421.38

BANK FIGURES

0.02813750/0.04382500 = 0.64204221 x \$1365.03=\$876.41 in Interest BANK FIGURES

Per figures from Wachovia Bank Ms. Counts is due \$21,297.79

EXHIBIT "E" VC-702975 VGOB 97/07/15-0593 sed Owners/Claimants Requirin

Unleased Owners/Claimants Requiring Escrow

		05/08/06			
TRACT	LESSOR	LEASE STATUS	INTEREST WITHIN <u>UNIT</u>		
	<u>G</u>	as Estate Only			
3	Charles Beernard Counts, Jr and Katherine Kirsch Counts 3505 Arden Warren, MI 48092-3256	Leased-EPC 241591L01	0.00398438	RI	Tax Map # 179A-2229
	Cneri Lyn Simonenko 612 Redwood Drive Troy, MI 48083	Leased-EPC 241591L01	0.00066412	RI	
	Laurie Rae Selfridge RFD 2, Box 377E Reeds Mill Road Newport, NH 03773	Leased-EPC 241591L01	0.00066400	RI	
5	Nora Counts, Widow HC 67, Box 354 Dante, VA 24237	Unleased Life Estate	0.0000000	RI	Tax Map # 148D-1085
	Retha Grizzle and Lee Grizzle, W/H Route 2, Box 559 Haysi, Va 24256	Unleased Remainderman	0.00518750	RI	
	Susie Deel and Carter Deel, W/H HC 67, Box 354	Unleased Remainderman	0.00518750	RI	
	Dante, VA 24237				
	<u>C</u>	oal Estate Only			
3	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham P.O. Box 2136 Abingdon, VA 24212	Leased-EPC 241490 Tract TC-180	0.00531250	RI	
5	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham	Leased-EPC 241490	0.01037500		NT-#060001140
	P.O. Box 2136 Abingdon, VA 24212	Tract T-317	REC	ORDED IN TH DIC JULY A, T 30E T	E CLERK'S OFFICE OF KENSON ON 2006 AT 03:36PM ATE, CLERK
				RECOR	DED BY: JBM
	VIRGINIA: IN THE OFFICE OF THE presented in said office, and upon the said imposed by Sec. Original returned this date to:	ne certificate of acknowledgme	URT OF DICKENSON COUNT ent thereto annexed, admitted BY:	Y, ¶/6 I to record at 3:36	_, 20 CoThis deed was this day _ o'clock O_M, after payment of E, CLERKD. CLERK